Whitehorse Copper Mines Ltd.

Annual Report, 1973

Directors
J. Bruk*
H. R. Fraser*
R. C. C. Henson
K. Kawakami
T. Koseki
P. M. Reynolds
J. D. Taylor, Q.C.*
J. S. Warick*
*Members of the Executive Committee

Officers
David Taylor, Q.C., President and Chief Executive Officer
Joseph S. Warick, Vice-President
William J. Boden, Secretary-Treasurer
Jean M. Davidson, Assistant Secretary

Mine Management
Visco V. Jutronich, General Manager
Jack Walsh, Assistant General Manager

Company Offices
Head Office: P.O. Box 49085 Two Bentall Centre,
555 Burrard Street, Vancouver, B.C. V7X 1G6
Mine Office: P.O. Box 4280, Whitehorse, Y.T. Y1A 3T3

Solicitors
Lawrence & Shaw
Vancouver, B.C.

Auditors
Coopers & Lybrand
Vancouver, B.C.

Union
United Steelworkers of America, Local 926

Shares Listed
Toronto Stock Exchange
Vancouver Stock Exchange

Transfer Agent and Registrar
Canada Permanent Trust Company
Vancouver, B.C., Calgary, Alta., Toronto, Ont.

Annual General Meeting
Queen Anne Room
Hotel Georgia, Vancouver, B.C.
Tuesday, April 23, 1974
9:30 A.M.

Directors' Report to the Shareholders

Earnings

1973 was a year of increasingly stronger prices for copper, gold and silver, and the Company's share of the profits of the joint venture formed to carry on the new underground mining operations benefited accordingly during its first full year of operations. Improved metal prices helped to offset increased costs experienced as the result of our labour settlement and elsewhere.

For 1973, operating profit of the joint venture as a whole amounted to $7,899,000. The Company's two-thirds share of this amount, less depreciation, amortization and corporate expenses, resulted in net earnings for the year of $2,085,000 or 62¢ per share.

As previously reported, our joint venture partners, Hudson Bay Mining and Smelting Co., Limited (Hudbay) and Anglo American Corporation of Canada Limited (Amcan), each purchased a one-sixth interest in the project in addition to lending to your Company funds to contribute its two-thirds share of the capital required.

Joint Venture Operations

The Company is the operator of the joint venture, and certain production statistics appear in the report of the General Manager.

Production of gold and silver was higher than anticipated in the original feasibility study; in 1973 we averaged 0.5 oz. of gold and 9 oz. of silver per ton of concentrate produced.

Optimum milling rate was between 2000 and 2200 tons per day, depending upon the nature of the ore. During 1973, however, throughput averaged 1960 tons per operating day with the shortfall attributable mainly to scheduled down-time and temporary mining problems. An added tertiary grinding mill is being commissioned, with the objective of improving the recovery of copper metal and providing increased milling capacity.

As planned during the development stage, capital expenditures during the year were minimal.

Ore reserves were added as a result of development drilling and these substantially replaced the tonnage mined during the year.

Development of the Middle Chief orebody, originally scheduled for 1973, was postponed in favour of the development of the Little Chief orebody from the 1750 level. The Middle Chief will be developed in 1974 to provide a standby working area.

Transportation of concentrate to the Noranda smelter was severely delayed by the Canadian rail strike in August and a shortage of railcars which extended through the remainder of the year. The balance of the stockpile of concentrate which had accumulated at North Vancouver was shipped in January, 1974.

Operations for the major part of the year were financed by working capital loans from our joint venture partners. All of these loans were repaid and the joint venture is currently in a favourable working capital position.

During the year, the Company employed directly almost 200 persons at Whitehorse with a gross annual payroll of about $3,000,000.

Sales Contract

Our current sales contract provides for the sale of concentrate to Hudbay and for delivery on their behalf to the smelter at Noranda, Quebec, of production to December 31, 1974. The contract has been extended on satisfactory terms for an additional year to cover our production to December 31, 1975.

Long-Term Debt

Repayment of long-term debt is essentially geared to the Company's cash income, and this was affected adversely by our inability to procure rail delivery of concentrates produced. The joint venture ended the year with concentrate settlements receivable valued at $8,164,000. There were no funds available for distribution of operating profits to the partners and your Company was unable to retire any of its long-term debt. The Company expects, however, to be able to retire $3,486,000 principal amount of its outstanding bonds when the balance of the proceeds from our 1973 production are received.

Exploration

A modest exploration program, in keeping with our commitments to the bondholders, was undertaken in 1973 and will be continued in 1974. Drilling is being directed to areas of known mineralized occurrences. Further details are given in the report of the General Manager.

Our eligibility under the Northern Mineral Exploration Assistance Program has been established. The funds to be received from this source will increase the exploration budget.

Outlook

Earnings for the first quarter of 1974 will be affected by delayed development of the 1750 level and resulting low production caused by a shortage of skilled labour. However, it is expected that the higher grade ore to be mined from this level will provide copper production in 1974 which will compare favourably with that of 1973.

The inflationary pressures to which the Company is increasingly subject remain a matter of real concern and will undoubtedly affect the profitability of our operations in 1974.

Acknowledgements

The Board is doubly grateful for the assistance the Company has received during the year: our employees have worked hard and well, and we have enjoyed the positive benefits of a close working relationship with our joint venture partners. Finally, we wish to acknowledge gratefully the contribution made over the years by Mr. Patrick M. Reynolds, who is this year retiring from the Board of Directors.

On behalf of the Board

David Taylor

David Taylor
President

February 26, 1974

Report of the General Manager

The President and Directors,
Whitehorse Copper Mines Ltd.

The following is a review of activities at the Company's property near Whitehorse for the 1973 fiscal year.

Summary of Operations

Ore hoisted — Tons (wet)		660,575
Ore milled — Tons (dry)		700,054
Waste hoisted — Tons		66,897
Production drilling — Feet		260,000
Development — Feet		10,610
Metals produced —	Copper - Lbs.	21,563,064
	Gold - Ozs.	13,888
	Silver - Ozs.	250,627

Mining

The development program has been satisfactory for the 1973 fiscal year. The connection between the shaft system and the decline (via the 1700 level) was effected in April, 1973. The equipping of the 1700 level was well advanced by December 31st. Production from Number 7 stope slot should commence in February, 1974.

Production for the fiscal year remained within 10% of projections and was maintained from the stopes above the 2050 level in the Little Chief underground orebody. Overall recovery of copper was satisfactory. All systems are capable of handling the designed load of 2,000 tons per day.

Modified layouts which require less development to maintain the same production rate have been made. However, present development crews will be maintained with the object of preparing the Middle Chief as a standby working area. Layouts are also being prepared for the extraction of the ore below the 1700 level.

Milling

Results for the 1973 fiscal year were satisfactory:

Operating time	92.4%	
Average head grade	1.83%	Copper
Average concentrate grade	39.23%	Copper
Average tail grade	0.30%	Copper
Concentrate produced	27,484	Short tons
Recovery of copper	84.33%	

All systems continue to operate within the designed capacity. An additional ball mill is being commissioned. Initially this mill will be installed for tertiary grinding with the object of improving recoveries of copper metal. However, should mill feed grades be lower (for example, if open pit ore is milled), this mill could be utilized for larger tonnage throughput.

Ore Reserves

As at January 1, 1974 and 1973, proven and probable ore reserves were:

	UNDILUTED		DILUTED (Recoverable)	
	Tons	% Cu	Tons	% Cu
UNDERGROUND				
1974				
Little Chief	2,585,640	2.52	2,585,640	2.09
Middle Chief	596,748	2.15	596,748	1.79
Total	3,182,388	2.45	3,182,388	2.03
1973				
Little Chief	2,680,863	2.53	2,565,878	2.27
Middle Chief	497,040	2.22	474,176	1.99
Stockpile	38,800	1.73	38,800	1.73
Total	3,216,703	2.47	3,078,854	2.22
SURFACE low grade zones, presently considered uneconomic				
1974				
Best Chance			492,737	0.71
Black Cub North			172,000	0.82
Black Cub South			21,964	1.25
Cowley Park			975,598	0.89
Gem			688,994	1.01
Keewenaw			223,387	1.06
Kodiak Cub			63,000	1.18
Total			2,637,680	0.91
1973				
Total			2,637,680	0.91

Notes:

1. Underground—Calculations were based on results of 1973 operations which established the following:
   a. Specific volume 10.0 cu. ft. per ton.
   b. Estimated recovery of diluted tonnage is equal to the calculated undiluted tonnage.
   c. Estimated grade of diluted ore is 83% of the grade of the undiluted ore.
2. Surface—all tonnages and grades have been diluted by 15% with barren material except for Gem which has similarly been diluted by 25%.

Exploration

Three deep surface holes below the previously drilled-off Cowley Park Zone all encountered low grade copper/molybdenite mineralization. The advisability of "fill-in drilling" to determine if a deeper and larger pit design could be economic is being considered. One exploration hole about one-half mile south of the main mineralization encountered unexpectedly deep overburden and passed from overburden into diorite. A short section of limestone with seams of graphitic material and a 12 inch zone of heavy pyrite mineralization were intersected but these are not in themselves considered sufficient to cause the induced polarization anomaly that was located in previous work. Further more detailed I.P. work is planned for 1974 with diamond drilling follow-up if warranted. The relatively large amounts of pyrite seen in the limestone and diorite of drill hole CP-67 suggests a possible "halo effect" which has been noted around many porphyry copper deposits. This is being considered as a further exploration possibility for the Cowley Park area.

Bl.C. 43, a deep hole on the footwall side of the Black Cub South pit intersected minor low grade copper mineralization. Drilling on a second, and deeper hole, on the hangingwall side of the pit was suspended owing to inclement weather; this hole will be continued during 1974.

In the area north of the old Valerie shaft deep exploration hole V-17 passed through limestone into quartzite at 1100 feet, and was temporarily stopped at 2015′, still in quartzite. The hole will be continued in early 1974 in an attempt to find further favourable limestone layers at greater depths.

Induced Polarization coverage of the 16 War Eagle claims staked last year provided two anomalies worthy of drilling. These will be tested during 1974. Geological mapping was carried over these claims, and also over the recently staked Geno claims west of Little Chief.

Hbed/Amex continued their program under the terms of the joint venture exploration agreement. Diamond drilling intersected copper-bearing zones between the Best Chance and Grafter showings. Although the geology of the area is still obscure, these results hold some promise. Surface diamond drilling below the Rabbits Foot and Anaconda showings failed to produce significant copper intersections, and the final holes under the old Pueblo workings were also disappointing, although some copper was intersected. Drilling is expected to continue to the Best Chance - Arctic Chief area in 1974.

Capital Expenditures

Capital expenditures for 1973 were $177,000. The only significant capital expenditure planned for 1974 is the requirement of an underground crusher and conveyor system, which will be used for the extraction of ore below the 1700 level. A feasibility study of this system is currently underway.

Acknowledgements

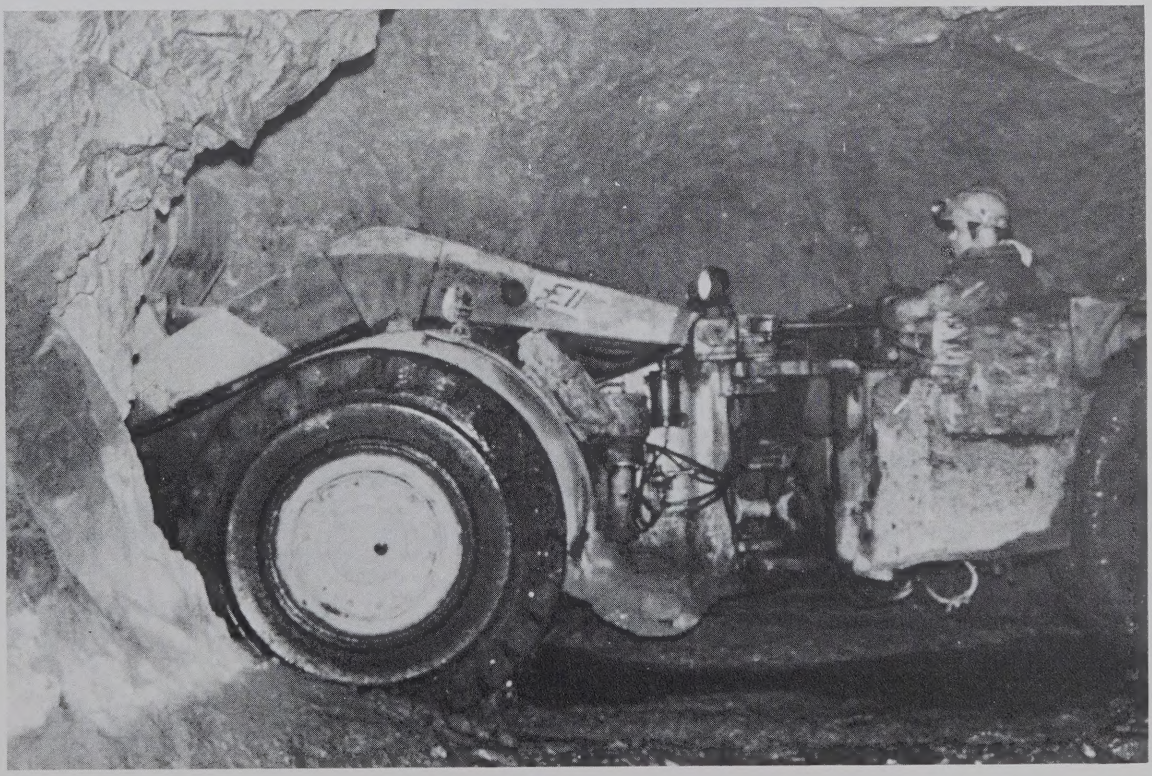
I sincerely wish to thank all our employees for their efforts for 1973, which was a good year and we look forward to continued success. I would also like to thank our previous General Manager, Mr. P. Steen, who played a major role in the successful opening of the underground operation.

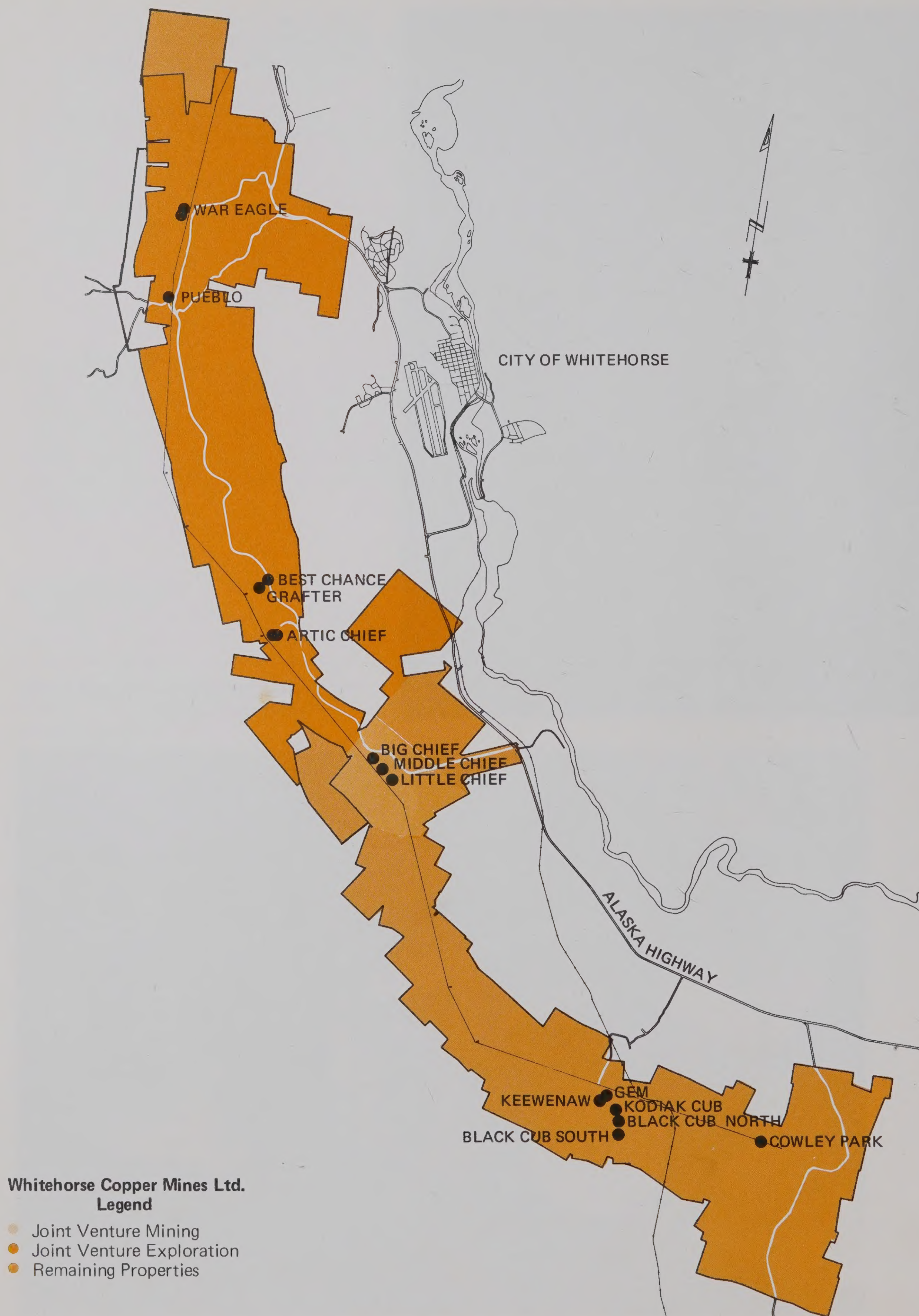
V. V. Jutronich
General Manager

Whitehorse
February 15, 1974

Stope blasting preparation. Explosives are pumped into the blast holes using a pneumatic "gun".

Scoop tram removing ore from draw point at the bottom of a stope.




WAR EAGLE
PUEBLO
CITY OF WHITEHORSE
BEST CHANCE
GRAFTER
ARTIC CHIEF
BIG CHIEF
MIDDLE CHIEF
LITTLE CHIEF
ALASKA HIGHWAY
KEEWENAW
GEM
KODIAK CUB
BLACK CUB NORTH
BLACK CUB SOUTH
COWLEY PARK
Whitehorse Copper Mines Ltd.
Legend
Joint Venture Mining
Joint Venture Exploration
Remaining Properties

Financial Statements

Auditors' Report to the Shareholders

We have examined the statement of financial position of Whitehorse Copper Mines Ltd. as at December 31, 1973 and the statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
February 1, 1974

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

Statement of Financial Position as at December 31, 1973

	1973 $	1972 $
CURRENT ASSETS		
Cash and short-term deposits	**5,413**	43,627
Accounts receivable		14,867
Operating profits receivable from joint venture	**4,719,075**	
	4,724,488	58,494
DEDUCT CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**9,235**	4,361
Provision for Yukon Royalty	**200,000**	
Accrued interest	**991,788**	
Long-term debt maturing within one year (note 5)	**3,495,000**	9,000
	4,696,023	13,361
WORKING CAPITAL	**28,465**	45,133
OTHER ASSETS		
Loan receivable		30,000
Investment in and loan to joint venture (note 2)	**7,941,206**	9,299,626
Mining properties (note 3)	**675,058**	673,934
Plant and equipment (note 4)	**4,600,512**	5,421,129
	13,245,241	15,469,822
DEDUCT LONG-TERM DEBT less amounts maturing within one year (note 5)	**4,592,819**	8,938,782
SHAREHOLDERS' EQUITY	**8,652,422**	6,531,040

REPRESENTED BY:

	1973 $	1972 $
CAPITAL STOCK (note 6)		
Authorized — 6,000,000 shares without nominal or par value		
Issued and fully paid — 3,383,202 shares (1972 — 3,360,802 shares)	**7,221,551**	7,185,123
RETAINED EARNINGS (DEFICIT)	**1,430,871**	(654,083)
	8,652,422	6,531,040

SIGNED ON BEHALF OF THE BOARD

DAVID TAYLOR, *Director*

J. S. WARICK, *Director*

Statement of Earnings and Retained Earnings for the Year Ended December 31, 1973

	1973 $	1972 $
REVENUE		
Share of joint venture operating profit	5,265,805	
Less: Share of joint venture depreciation and amortization	957,054	
Net share of joint venture earnings	4,308,751	
Interest earned	32,575	
	4,341,326	
EXPENSES		
Administration	46,876	37,945
Interest on long-term debt	688,156	
Exploration	37,698	
Depreciation	820,384	
Amortization	463,258	
Loss on disposal of equipment		74,704
Yukon Royalty	200,000	
	2,256,372	112,649
NET EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	2,084,954	(112,649)
EXTRAORDINARY ITEM		
Investment in joint venture written-down		(1,700,000)
NET EARNINGS (LOSS) FOR THE YEAR	2,084,954	(1,812,649)
RETAINED EARNINGS (DEFICIT) — BEGINNING OF YEAR	(654,083)	1,158,566
RETAINED EARNINGS (DEFICIT)— END OF YEAR	1,430,871	(654,083)

Note: There were no joint venture operations in 1972.

Statement of Source and Use of Working Capital for the Year Ended December 31, 1973

	1973 $	1972 $
SOURCE		
Current operations	4,325,884	
Sale of capital stock	36,428	4,050
Loan repayment	30,000	10,000
Series "A" bonds		2,850,000
Plant and equipment disposals		56,081
Recovery of deferred expenditures		34,077
	4,392,312	2,954,208
USE		
Current operations		37,945
Loan to joint venture	61,892	337,416
Capital advance to joint venture		3,725,000
Plant and equipment additions		30,500
Mining properties	1,125	26,681
Repayment of mortgage loans	9,600	3,679
Accrued interest	850,363	
Current portion of bonds payable	3,486,000	
	4,408,980	4,161,221
DECREASE IN WORKING CAPITAL	(16,668)	(1,207,013)
WORKING CAPITAL — BEGINNING OF YEAR	45,133	1,252,146
WORKING CAPITAL — END OF YEAR	28,465	45,133

Notes to Financial Statements for the Year Ended December 31, 1973

1. Accounting Policies

Investment in joint venture

The company's investment in the joint venture and its share of joint venture earnings are accounted for on an equity basis.

Amortization of deferred costs related to the joint venture is provided on the unit of production method based on presently estimated recoverable ore reserves.

Depreciation

Plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets.

2. Investment In and Loan to Joint Venture

(a) On August 31, 1971, the company entered into a joint venture operating agreement with Hudson Bay Mining and Smelting Co., Limited (Hudbay) and Anglo American Corporation of Canada Exploration Limited (Amex) for the underground development and exploitation of the Little Chief and Middle Chief orebodies, and certain contiguous mineral properties. The benefits to be derived from the joint venture are to be shared amongst the owners as to one-sixth by each of Amex and Hudbay and as to two-thirds by Whitehorse Copper Mines Ltd., being their respective interests.

The financial statements of the joint venture for the year ended December 31, 1973 appear as Appendix "A" hereto.

(b) The company's investment in and loan to the joint venture is as follows:

	1973 $	1972 $
Equity in joint venture	**3,576,280**	4,533,334
Deferred expenditures, property acquisition and other costs related to the joint venture — at cost	**4,269,096**	4,269,096
Less: Accumulated amortization and write-downs	**2,163,258**	1,700,000
	2,105,838	2,569,096
Loan to joint venture (Appendix "A" — note 1(a))	**2,259,088**	2,197,196
	7,941,206	9,299,626

(c) Each of the owners is contingently liable for the debts of the joint venture to the extent that such liability exceeds its respective interest with the right of recovery of such excess from the others.

3. Mining Properties

(a) Hudson Bay Exploration and Development Company Limited (Hbed) and Anglo American Corporation of Canada Exploration Limited (Amex) have been granted the right and option to explore and develop certain mineral claims north of the Little Chief area. They have agreed to spend $300,000 on exploration work by April 30, 1975 and then have an option to acquire a sixty percent interest in a portion of the claims by the further exploration expenditures of $200,000 by April 30, 1977. Should the company not elect to participate in the further development of the designated claims, Hbed and Amex may increase their interest to seventy-five percent.

(b) The amount shown for mining properties represents cost to date and does not necessarily reflect present or future value.

4. Plant and Equipment

(a) Plant and equipment is stated at cost less accumulated depreciation and is as follows:

	1973	1972
	$	$
Mining equipment and plant and equipment	**7,606,450**	7,606,808
Staff houses and land	**644,145**	644,145
Equipment held for resale	**531,849**	531,849
Cost	**8,782,444**	8,782,802
Less: Accumulated depreciation	**4,181,932**	3,361,673
	4,600,512	5,421,129

(b) During the term of the joint venture operating agreement, the joint venture has the right to use the company's plant and equipment. After Hudbay and Amex have been paid an aggregate of $6,500,000 as their share of the joint venture operating profits, the company is entitled to recover a depreciation charge from the joint venture.

5. Long-Term Debt

(a) Long-Term debt is as follows:

	1973	1972
	$	$
Series "A" 9% First Mortgage bonds with principal and accrued interest due December 31, 1976	**4,900,000**	4,900,000
Series "B" 7% Income bonds with principal due December 31, 1976	**2,850,000**	2,850,000
Mortgage loans	**337,819**	347,419
Accrued interest on bonds		850,363
	8,087,819	8,947,782
Less: Amounts maturing within one year included with current liabilities	**3,495,000**	9,000
	4,592,819	8,938,782

Interest on the Series "A" bonds is payable quarterly out of the operating profit, as defined. Principal is repayable only after payment of interest on Series "B" bonds.

Interest on Series "B" bonds is payable quarterly only if and to the extent of operating profit, as defined, and after payment of interest on Series "A" bonds. Principal is repayable only after Series "A" bonds have been retired.

Mortgage loans bearing interest at rates varying from 6¾% to 9½% are due by 1994, repayable at $3,853 per month, including principal, interest and taxes, and secured by charges on residential land and houses.

(b) The Series "A" and Series "B" bonds are secured by a deed of trust and mortgage constituting first fixed and floating charges on all properties and assets of the company including its interest in the joint venture assets, but excepting residential land and houses.

(c) Hudbay and Anglo American Corporation of Canada Limited, the purchasers of the Series "A" bonds, have the first right to participate in future financing of the company's mining properties.

6. Capital Stock

(a) The following options to senior salaried employees to purchase shares of the company were outstanding as at December 31, 1973:

1,600 shares at $1.87 per share to October 26, 1977
52,000 shares at $3.02 per share to January 23, 1979.

Options for 22,400 shares were exercised during the year for a total cash consideration of $36,428.

(b) Anmercosa Investments Limited and Hudson Bay Mining and Smelting Co., Limited each have the option to purchase 200,000 shares at $3.125 per share on or before December 31, 1975. The company has agreed to apply the proceeds of the options, if exercised, to the payment of interest on and principal of the bonds.

(c) The payment of dividends is prohibited until the bonds described in note 5 have been repaid.

7. Income Taxes

Application for a tax-free period ending December 31, 1973 has been made for the Little Chief Underground Mine, and accordingly, no provision for income taxes has been charged against net earnings for the year. As at the date of these financial statements, the company had not been advised of the decision of the Minister of National Revenue. The company has a loss for income tax purposes of approximately $1,000,000 which will be carried forward and applied against any taxable income up to and including 1976.

As at December 31, 1973, depreciation, loss on disposal of fixed assets, and deferred expenditures amounting to $11,400,000 have been written off against earnings of the current and prior years and have not been claimed for income tax purposes and are available to be applied against any taxable income.

8. Earnings per Share

	1973	1972
	$	$
Earnings (loss) before extraordinary item	**.62**	(.03)
Loss related to extraordinary item	—	(.51)
Earnings (loss) per share after extraordinary item	**.62**	(.54)
Fully diluted earnings per share	**.58**	

The fully diluted earnings per share figures are calculated on the assumption that all stock options were exercised at January 1, 1973 and the proceeds used to reduce the long-term debt.

For purposes of calculating fully diluted earnings per share, the earnings applicable to the shares were increased by the interest relieved on the reduction in the long-term debt ($115,000) and the number of shares was adjusted to reflect the additional shares that would have been exercised under the stock options (412,000).

9. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the company and the joint venture during 1973 to the directors, senior officers and five highest paid employees (3 of whom are mine personnel) amounted to $171,407 (1972 — $119,375).

APPENDIX "A"

Statement of Financial Position of the Joint Venture as at December 31, 1973

	1973 $	1972 $
CURRENT ASSETS		
Cash and short-term deposits	**390,760**	859,040
Accounts receivable	**48,111**	44,971
Concentrate settlements receivable (note 2)	**8,164,002**	86,233
Mine materials and supplies, at the lower of cost and net realizable value	**610,954**	583,152
Prepaid expenses	**32,680**	48,760
	9,246,507	1,622,156
DEDUCT:		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**796,767**	427,425
Operating profits payable to joint venture owners	**7,351,977**	
	8,148,744	427,425
WORKING CAPITAL	**1,097,763**	1,194,731
DEFERRED EXPENDITURES AND FIXED ASSETS (note 3)	**6,525,743**	7,802,465
	7,623,506	8,997,196
DEDUCT:		
LOAN FROM WHITEHORSE COPPER MINES LTD. (note 1)	**2,259,088**	2,197,196
OWNERS' EQUITY	**5,364,418**	6,800,000

Statement of Joint Venture Owners' Equity for the Year Ended December 31, 1973

	1973				1972
	Whitehorse $	Hudbay $	Amex $	Total $	Total $
Balance — beginning of year					
Represented by capital advances re-allocated amongst joint venture owners in their respective ownership interests	4,533,334	1,133,333	1,133,333	6,800,000	6,800,000
Add:					
Net earnings for the year	4,308,751	1,077,187	1,077,187	6,463,125	
	8,842,085	2,210,520	2,210,520	13,263,125	6,800,000
Deduct:					
Operating profits					
paid	546,730			546,730	
payable	4,719,075	1,316,451	1,316,451	7,351,977	
	5,265,805	1,316,451	1,316,451	7,898,707	
Balance — end of year	3,576,280	894,069	894,069	5,364,418	6,800,000

Statement of Earnings of the Joint Venture for the Year Ended December 31, 1973

	1973 $
REVENUE FROM CONCENTRATE PRODUCED (note 2)	**17,587,316**
Less: Treatment and marketing costs	**3,193,809**
	14,393,507
EXPENSES	
Concentrate production costs	**5,728,150**
Administration	**665,522**
Interest — net	**66,400**
Exploration	**34,728**
	6,494,800
OPERATING PROFIT	**7,898,707**
Depreciation and amortization	**1,435,582**
NET EARNINGS FOR THE YEAR	**6,463,125**

NOTE:
There were no operations during the year ended December 31, 1972.

Statement of Source and Use of Working Capital of the Joint Venture for the Year Ended December 31, 1973

	1973 $	1972 $
SOURCE		
Operating profit	**7,898,707**	
Loan from Whitehorse Copper Mines Ltd.	**61,892**	337,416
Capital advances		5,625,000
	7,960,599	5,962,416
USE		
Operating profits paid or payable to joint venture owners	**7,898,707**	
Deferred expenditures and fixed assets	**158,860**	5,068,718
	8,057,567	5,068,718
INCREASE (DECREASE) IN WORKING CAPITAL	**(96,968)**	893,698
WORKING CAPITAL — BEGINNING OF YEAR	**1,194,731**	301,033
WORKING CAPITAL — END OF YEAR	**1,097,763**	1,194,731

Notes to Financial Statements of the Joint Venture for the Year Ended December 31, 1973

1. Joint Venture

(a) Under the terms of the joint venture operating agreement, Whitehorse Copper Mines Ltd. was obligated to advance at least $2,000,000 in the form of working capital assets or cash. The loan is repayable to Whitehorse Copper Mines Ltd. upon completion of the joint venture programme or earlier to the extent that working capital requirements are reduced. Interest at 9% per annum, is payable on advances in excess of $2,000,000.

(b) Joint venture operating profits, or losses, as defined, are to be calculated quarterly and profits are to be paid to the owners pro rata to their respective interest in the joint venture.

2. Concentrate Settlements Receivable and Revenue From Concentrate Produced

(a) Concentrate settlements receivable are valued at the estimated selling price less estimated costs of treatment and marketing.

(b) The entire concentrate production to December 31, 1975 has been sold under contract, which provides that copper production for 1973 and 1974 be priced based on a blending of the Canadian Producer and London Metal Exchange quotations. This quotation price is determined during a period subsequent to receipt of the the concentrate at the smelter.

(c) At December 31, 1973, approximately 14,000 tons of concentrate were not finally priced under the contract terms and it is estimated that quotations for this concentrate will be fixed at prices prevailing during the first half of 1974. The copper contained in this tonnage has been valued at 82c per pound, which was based on copper prices prevailing at December 31, 1973.

3. Deferred Expenditures and Fixed Assets

	1973 $	1972 $
DEFERRED EXPENDITURES		
Mine and shaft development — at cost	**5,787,756**	5,806,971
Less: Accumulated amortization	**1,043,682**	
	4,744,074	5,806,971
FIXED ASSETS		
Mining equipment — at cost	**657,736**	559,477
Plant and equipment — at cost	**1,824,097**	1,744,281
	2,481,833	2,303,758
Less: Accumulated depreciation	**700,164**	308,264
	1,781,669	1,995,494
	6,525,743	7,802,465

Depreciation of fixed assets and amortization of deferred expenditures are provided on the unit of production method based on presently estimated recoverable ore reserves.